SEAMARK

September 30, 2018

SEAMARK POOLED CANADIAN BOND FUND

Our Philosophy and Strategy

SEAMARK's investment philosophy recognizes that Fixed Income investments represent an important foundation for investors.

Accordingly, SEAMARK manages the Fund in a prudent manner, emphasizing safety of principal and reliability of income.

Three key variables, credit quality, term to maturity, and liquidity, are used to identify those fixed income securities that meet SEAMARK's exacting standards.

SEAMARK maintains a high credit quality standard in the Bond Fund. Each security must be rated BBB (low), or better, by the Dominion Bond Rating Service, or the equivalent. Focusing on high quality issues reduces volatility while providing attractive returns on a risk-adjusted basis. The Canadian Bond Fund will invest primarily in Canadian dollar denominated fixed income investments.

SEAMARK employs an interest rate anticipation approach to add value to the Bond Fund. SEAMARK will vary the average term to maturity and duration of the portfolio within a conservative range, seeking to enhance returns through moderate capital gains under appropriate market conditions, while preventing capital losses under adverse conditions.

SEAMARK will also seek to add value by varying the relative weights of different fixed income sectors (Federal, Provincial, Municipal and Corporate issuers) within a conservative range.

Portfolio Manager Commentary

The SEAMARK Pooled Canadian Bond Fund returned -0.39% in the third quarter, outperforming its FTSE Canada Universe Bond Index benchmark by 57 bps. The benchmark returned -0.96%, with the Federal sector recording a -0.82% return and corporate credits -0.46%. Provincials recorded the largest decline, a loss of 1.49%. Year to date, at September 30, the Fund has recorded a return of 0.31% versus the its benchmark's return of - 0.35%.

A lot seems to have changed since the last quarter and even in the short time since the latest quarter has ended. Trade war fears continue, albeit on a much smaller scale, especially after Canada agreed to the new trilateral trade deal, the USMCA (United States-Mexico-Canada Agreement). A key positive is that the agreement will be in place for 16 years, with a review process to keep the agreement fresh in the interim. There were some concessions in the Canadian auto and dairy sectors and there is a clause specifically prohibiting a trade agreement with nonmarket economies (read China), without informing the U.S. three months prior to the negotiations. Overall, it looks like it is business as usual, notwithstanding the items mentioned, and that is how the market has received it.

Meanwhile, U.S. rate normalization has continued in such an orderly fashion that the bond market reactions are either already priced in or are limited to the policy decision ranges. As much as there is a chance of a slowdown in GDP growth in the fourth quarter, the U.S. economy has been enjoying strong and steady growth, which supports the quarterly rate hikes of 25 bps. In addition to the growth of the economy, the tight labor market has started to impact the long overdue wage growth in the States. Although repatriated funds did not make their way into investment spending, net business investments made a meaningful recovery since 2015. There could be some political events to disrupt the markets; however, the Fed seems to be determined to continue its monetary tightening to achieve interest rate normalization through 2019.

Governor Poloz probably breathed a sigh of relief on October 1st after the announcement of the USMCA, eliminating one of the potential roadblocks to more rate hikes in Canada. With the Canadian economy and the labor market running resiliently, one would expect the gradual closing of the overnight target rate gap between the U.S. and Canada in 2019.

We believe that our defensive portfolio positioning is appropriate for the environment of rate normalization in both the U.S. and Canada. We will continue to be short in duration, and overweight corporate credits, albeit in a more selective manner. Our weight in Floating Rate Notes has been significant, defensive, and beneficial to date.

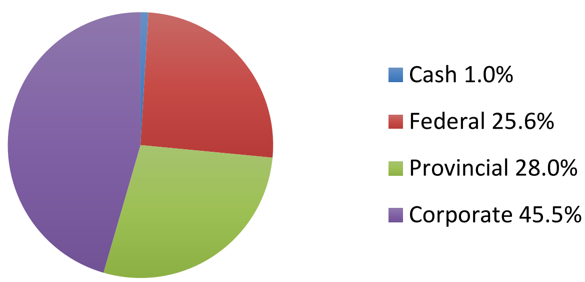
INVESTMENT TEAM

Beste Alpargun, CFA
VP Fixed Income, Portfolio Manager

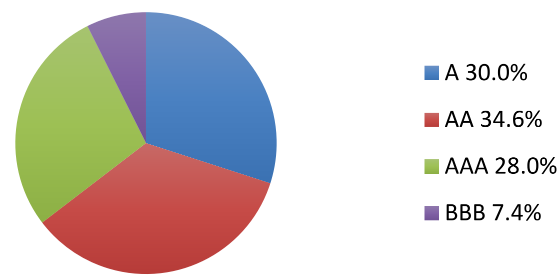
Portfolio Activity

The Fund participated in new and reopened issues including British Columbia 2028, Daimler Canada 2022, Manulife Bank Floating Rate Notes 2020, and TD Bank 2021. Against these purchases we sold IGM Financial 2019, Nissan 2020, Nova Scotia 2025 and 407 International 2033. These trades aimed to pick up yield, in certain cases increasing duration, and benefit from the new issues.

Portfolio Structure



Credit Quality



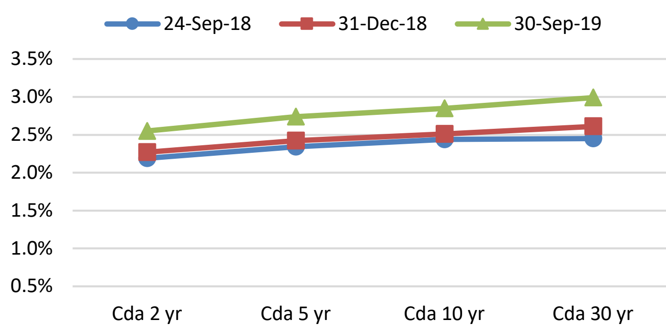
Top Five Fixed Income Holdings (% of Fund)

Ontario FRN March 16, 2021	6.4
Cda Housing Trust FRN March 15, 2023	5.4
Daimler Canada 3.30% Aug 16, 2022	5.2
BC Province 2.95% Dec 18, 2028	4.6
Cda Housing Trust FRN Sep 15, 2023	4.5

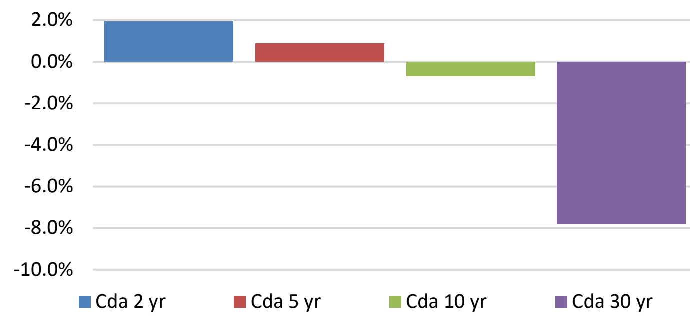
Fixed Income Information

Duration	4.2 years
Term	5.2 years
Yield	2.7%

Government of Canada Yield Curve



12 Month Expected Rate of Return of Canada*



**SEAMARK Fixed Income Team Estimates*

Calendar Year Performance (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
TOTAL PORTFOLIO (CAD$)	4.5	6.6	6.9	6.2	8.7	4.4	-1.5	7.9	3.5	1.4	2.3
FTSE Canada Universe Bond Index (CAD$)	3.7	6.4	5.4	6.7	9.7	3.6	-1.2	8.8	3.5	1.7	2.5

Performance Information (%)

September 30, 2018

	QTD	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	7 Yrs	8 Yrs	9 Yrs	10 Yrs	Since Inception
TOTAL PORTFOLIO (CAD$)	-0.4	0.1	1.8	-0.4	1.5	2.4	3.2	2.3	2.8	3.3	3.6	4.4	5.3
FTSE Canada Universe Bond Index (CAD$)	-1.0	-0.4	1.7	-0.7	1.6	2.5	3.3	2.5	2.9	3.4	3.8	4.4	5.2

Fund Inception Date: June 30, 1997

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SEAMARK ASSET MANAGEMENT LTD.

Performance data is calculated on an actual basis for periods of less than one year, and on an annualized basis for periods of one or more years. Performance data assumes the reinvestment of all distributions and does not take into account management fees or income taxed (except for withholding tax, if any, on foreign income) payable by any unitholder that would have reduced returns. Past performance is not necessarily indicative of future returns.